

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 02-85

DATE PREPARED: Jun 20, 2002

STATE AGENCY: Children's Health Insurance Program

DATE RECEIVED: May 10, 2002

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Digest of Proposed Rule: This rule amends 407 IAC 2-2-5 to remove 12 months of consecutive eligibility for the Children's Health Insurance Program (CHIP). Eligibility for CHIP will now end when the child fails to meet the program's financial eligibility requirements. The rule change is for the purpose of conforming with state law in accordance with Public Law 107-2002, SECTION 25 (SEA 228-2002). The rule also amends 407 IAC 2-3-1 to revise the premium payment schedule to remove annual and quarterly payment options for participating in CHIP.

Governmental Entities: This rule places no unfunded mandates upon any state or local unit of government.

The rule change eliminates 12-month continuous eligibility in the CHIP program. As a result, program eligibility will cease at the point in time when an individual's income increases beyond the financial eligibility standards of the program, rather than at the end of their continuous eligibility period. In conjunction with this change, the rule also eliminates the option for participants to pay premiums on a quarterly or annual basis (as well as the associated payment discounts offered to the payers), thus requiring payment on a monthly basis.

Total state savings to the CHIP program from both rule changes are estimated to be about \$720,000 in FY 2003. This is based on estimated total reduced expenditures, state and federal, of about \$2.47 M. The expenditure reduction in future years would be significantly greater than this amount. The state share for CHIP expenditures is 27%; the federal share is 73%.

Of the \$720,000 in state expenditure reduction, the amount attributable to the elimination of continuous eligibility is about \$667,000, and the amount attributable to the elimination of advance premium payment options is about \$53,000.

Regulated Entities: These rule changes affect the eligibility for health coverage under the CHIP program for those individuals whose incomes increase beyond program eligibility standards.

Information Sources: Melanie Bella, Assistant Secretary for the Office of Medicaid Policy and Planning, 233-4455.